TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 390 - HB 673

March 13, 2023

SUMMARY OF BILL: Creates the *Tennessee Family Insurance Act* (Act). Requires family and medical leave insurance benefits payable to covered individuals for the birth, adoption, or placement through foster care or caring for a new child during the first year after the birth, adoption, or placement; who are caring for a family member with a serious health condition; who have a serious health condition; or exigency arising out of the deployment of a family member. Requires the State Treasurer to determine the amount of premiums necessary to finance the program annually. Requires employers to collect and remit all premiums paid by employees to the state treasurer to transfer to the fund.

The Department of Labor and Workforce Development (DLWD) will administer the family and medical leave insurance program. All costs to administer the program is to come from the premiums paid into the fund. Establishes requirements for eligibility to participate in the program, limitations on claims payments, and requirements for employers.

FISCAL IMPACT:

Increase State Expenditures - $61,566,100/FY24-25
$16,780,500/FY25-26 and Subsequent Years

Other Fiscal Impact – The proposed legislation requires premiums collected in the fund to pay for the administrative costs. Due to the need to initially set up the program prior to premium collections, general fund dollars will be needed until premiums are collected. The extent and timing of such is unknown.

Assumptions:

- Insurance premiums are to start being paid January 1, 2025, with claims being paid beginning January 1, 2026.
- The DLWD does not currently have the resources to administer the new program. The department will create a new division in order to administer the program.
- The DLWD will hire 132 employees who will be positioned across the state. The recurring increase in state expenditures for these positions are $12,572,007 ($7,106,274 salaries + $3,403,151 benefits + $2,062,582 operational) and one-time state expenditures will be $372,456 ($266,856 computers and phones + $105,600 furniture and supplies).
- The department will incur additional one-time expenditures of $413,100 for educational and campaign advertising as required by the bill.

- Initial computer system and program for handling the benefits and insurance claims is estimated to be a one-time expenditure of $44,000,000 based on expenditures incurred by the unemployment insurance program.
- Other recurring costs are estimated to be $3,118,500 ($2,700,000 systems maintenance + $55,000 travel + $200 supplies + $213,300 training and professional services + $150,000 annual actuarial services). There are certain recurring interdepartmental expenditures totaling $940,000 for administrative, human resources, and rentals.
- The Department of Treasury will contract with an actuarial service to set annual premiums which is assumed to exceed $150,000 in FY24-25 and subsequent years.
- Any increase in expenditures to the department to manage the fund is considered not significant.
- With premiums being collected on January 1, 2025, the increase in expenditures are estimated to begin in FY24-25.
- State expenditures in FY24-25 will be $61,566,063 ($12,572,007 + $372,456 + $413,100 + $44,000,000 + $3,118,500 + $940,000 + $150,000) and $16,780,507 ($12,572,007 + $3,118,500 + $940,000 + $150,000) in FY25-26 and subsequent years.

IMPACT TO COMMERCE:

Other Fiscal Impact – There will be additional business expenditures incurred to collect and remit premiums. Also, some businesses may choose to pay a portion of the premiums. The exact impact to business cannot be quantified.

Assumptions:

- Employers are required to collect and remit premiums to the state. There will be an increase in business expenditures for such administrative work. An exact impact cannot be quantified.
- Some employers may choose to pay a portion of the premiums which will result in additional business expenditures. Any additional expenditures will be permissive and cannot be quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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